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Report of the UNECA/AATA Second Technical Workshop in Tax Policy, Legislation and Administration held at Yaounde, (Cameroon) from 11 - 19 October 1985

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Introduction

The ECA/AATA Second Technical Workshop in tax policy, legislation and administration was held in Yaounde, Republic of Cameroon, from 11 to 19 October 1985. The themes of the workshop were:

- Evolution of administrative systems in Africa with special reference to tax administration;
- the role of management information in tax administration;
- the importance of audit and collection in tax administration;
- computerization in tax administration.

The workshop was attended by representatives from Algeria, Angola, Benin, Botswana, Cameroon, Central African Republic, Djibouti, Egypt, Equatorial Guinea, Gabon, Madagascar, Nigeria, Rwanda, Senegal, Tunisia, Uganda, and Zaire.

The workshop was inaugurated and closed by Hon. Tikela Kemone. In asking Hon. Kemoné to open the Workshop, the delegate from Botswana, representing the Chairman of the Association of African Tax Administrators (AATA) thanked the Government of the Republic of Cameroon for having agreed to host the Workshop. In his introductory remark, the representative noted that there were a great number of representatives attending the workshop whose countries had not yet joined AATA. He, however, expressed the hope that it would not be too long when their countries would become members of AATA. In concluding his introductory remarks, the representative of Botswana reminded members of AATA of their financial obligation to the Association and urged them to pay their assessed contributions.

In his opening speech, Hon. Tikela Kemoné, Secretary of State in the Ministry of Finance, Republic of Cameroon, welcomed the participants to Yaounde and reminded them of the role taxation could play in raising financial resources for development. Mr. Kenoné emphasized the importance of the themes scheduled for discussion during the workshop as they were the preoccupations of the tax departments in all African countries. In conclusion, the Secretary of State said that the workshop would provide better understanding among the various officials of tax departments in the African countries.

On behalf of the United Nations Economic Commission for Africa, a representative of the ECA secretariat thanked the Secretary of State for agreeing to open the workshop and for the excellent conference facilities made available by the Government of the Republic of Cameroon for the duration of the workshop.

The proceedings of the workshop and the recommendations adopted are summarized in the following pages. The following were the background papers for the workshop:

1. Evolution of administrative systems in Africa with special reference to tax administration, by Prof. Illy.
2. The Role of Management Information in Tax Administration by Mr. J. Gant.
3. The importance of Audit and Collection in Tax Administration by D. Aldridge.
4. Country Papers
   (a) The role and importance of Management Information, Audit and Collection in Tax Administration - by Egypt.
   (b) L'information des activities de l'administration des impots à la direction generale des contributions directes et indirectes du Gabon.

(c) The role and importance of management information, audit and collection in tax administration - Mr. E. N. Cukelu, Nigeria.

(d) Introduction de l'informatique dans l'administration fiscale presente par la Republique du Cameroon.

(e) Introduction of computers in taxation, the experience of Senegal.

(f) Introduction of data processing system in Tunisia.

These background papers were circulated to all participants in the workshop. Space limitations do not, however, permit the reproductinn of them. Extra copies could, however be made available to member States and individuals on request.

Account of proccedings

I. Evolution of administrative Systems in Africa with Special reference to Tax Administration

The topic, "Evolution of Administrative Systems in Africa with Special reference to tax Administration" was introduced by Prof. Illy. In his presentation, he outlined the evolution of African administrative systems since independence, current problems of the management of the public service and specific aspects of tax administration.

In talking about the evolution of African administrative systems since independence, Prof. Illy stated that public administration in Africa had been shaped by colonial rule. This administration was of a repressive nature but at the same time there were channels of incorporation and participation because the rulers needed local collaborators as clerks at the lower levels of the system. The most important channel of access to positions in the public service was the educational system which was in the hand of the missionaries. The educational systems in African countries expanded after independence because it was through a diploma that an African could aspire to higher position in the public service.

Some prominent features of African administrative systems were mentioned and these were process of politicization, rapid quantitative expansion of the African countries public service since independence, the attractiveness of African public administration, and its extreme degrees of centralization.

Turning to the current problems of the management of the African countries' public service, Prof. Illy referred to problems of personnel policies and management, salaries and conditions of service, career development, linking incentives with performance and the adaptation of the management of African countries, public administration to their cultural and political environments.

With regard to tax policy and administration in African countries, Prof. Illy stated that effort must be made to find a mix of policies consistent with moving ahead many fronts as possible. Such overall objective could be best achieved by having a closer look at the relationship between direct and indirect taxes and their role in development. Talking about aspects of tax administration, Prof. Illy stated that in general, it would help the aims of economic development in African countries if the tax structure yielded elastic revenue with respect to income changes from the point of view of stabilization and of generating an increasing share of national income. Further, because of income distrubtion, it was desirable to have a tax system that was progressive in the sense that these at higher levels of income with greater ability to pay taxes

would pay a higher share of their income in taxation. The conference was reminded that income tax systems in African countries had been relatively unimportant because of the problem of defining and measuring income, the cost of tax administration, the setting of tax rates and the use of exemption from income tax which had been heavily influenced by the "demonstration effect" from higher-income countries.

In the general discussion which followed the presentation of Prof. Illy's paper, the delegates agreed that in general, civil servants implement decision taken by politicians, But in the majority of African countries, the role of the Civil Servant vis-à-vis that of the politician was not quite distinct. With regard to excessive centralization of African countries' public administration, one delegate pointed out that such a system had led to lack of responsibility.

In discussing tax administration in African countries, the delegates emphasized that African fiscal systems should be related to the social and cultural systems of individual countries. Tax evasion was discussed by most of the delegates and they felt that there was need to review in general the educational system and in particular the political education regarding taxation. In order to minimize tax evasion, African countries should search for equitable fiscal system which should be acceptable by tax payers.

II. The Role of Management Information in Tax Administration

The paper on "The Role of Management Information in Tax Administration"was prepared and presented by Mr. J. Gant (U. K. Inland Revenue Operation Division Mr. J. Gant began his presentation by explaining the organizational set-up of the U.K. Inland Revenue Department and the line of responsibility of the officers in the department.

The delegates were told that management information system was found to be needed in the U. K. Inland Revenue Department because of a variety of activities which took place in so many areas at all levels and because of these developments managers found that there was need for information about those activities to help them do their job.

Management Information System (MIS) was explained to be a system needed to provide the basic operational information (statistics about work done, not done or still to be done) which managers in all offices use in one way or another to keep themselves informed about the progress of work for which they have overall responsibility.

Mr. Gant gave the types of Management Information Systems (MIS) which the U.K. Inland Revenue Department had developed. These were:

- The Financial Management Iniative; (F.M.I.)
- Senior Management System; and Financial and Management Accounting System.

The objectives and benefits of these systems were briefly outlined and their application in certain work activity areas such as the tax districts and collection offices were expalined. Under the FMI, Departments were set the objective of developing an organization and a system in which managers at all levels had:

- a clear view of their objectives and means to assess and wherever possible measure outputs or performance in relation to these objectives;
- well-defined responsibility for making the best use of their resources including a critical scrutiny of output and value for money and the information (particularly about costs), the training and the access to expect advice which they would need to exercise their responsibility accordingly. The Senior Management System (SMS) was meant to allow the Board of the U. K. Inland Revenue Department to:

- decide priorities and objectives;
- allocate targets and responsibilities;
- measure performance against targets;
- reveal areas where change was or might become necessary

The Financial and Management Accounting System (FAMA) in the U.K. Inland Revenue Department on the other hand, following a review made by management consultants, was concerned primarily with detailed analysis and reporting of costs in terms of:

- where expenditure was incurred - known as "cost centre" cost. (A cost centre is the lowest level with an organization at which it is practicable and worthwhile to record costs separately).
- why expenditure was incurred - known as function or activity.
- what the money was spent on - known as cost elements.

Mr. Gant informed the conference that the success of Management Information System would depend on:

- commitment at all levels of management;
- preparation in terms of procedures, systems and people;
- carefully thinking out the programme;
- how to implement the programme and giving consideration to linking costs.

In concluding his presentation within the context of the application of MIS in Tax Departments of African countries, Mr. Gant raised questions regarding ministerial involvement, type of volume of management information, the need for MIS and how information would be recorded, transmitted and manipulated, answers to those questions be said, wuld explain the relevance and usefulness of MIS in African countries' tax administrations.

During the general discussion of the paper, the experience in the use of management Information System in African countries' tax administration was given by some delegates. It was explained that the objectives of MIS which was in operation in some African countries were the same as the objectives of MIS developed by the U.K. Inland Revenue Department. Unlike the U.K. Inland Revenue Department which was not yet computerized, some delegates informed the conference that computers were used in their countries to collect statistics or data needed for MIS. For example, the representatives of Tunisia, Algeria and Gabon gave their countries' experiences in the use of computers in their tax administration department. Two delegates were, however, of the opinion that the use of computers in tax administration would lead tothe reduction of staff in tax department.

III. Introduction of Computerization in Tax Departments

Following the general interest shown by delegates in the use of computers in tax administration, a session of the conference was devoted to the discussion in depth of "introduction of computerization in tax administration". The discussion was based on presentations made by the representative's of Senegal, Tunisia and Gabon. Recommendations made by the conference on this theme is at page 6 of this report.

IV. The Importance of Audit and Collection in Tax Administration

Mr. Dennis Aldridge of the United Kingdom Inland Revenue Department presented the paper on, "The Importance of Audit and Collection in Tax Administration" and led discussion on it. Mr. Aldridge's paper was based on how audit and collection were done by the U. K. Inland Revenue.

In the United Kingdom, the conference participants were informed that there were nearly 29 million taxpayers consisting of companies, self-employed and employees. For purposes of auditing and to be able to deal with the large number of taxpayers, selective examination was introduced in the period 1977-1980 whereby about 16 million PAYE taxpayers were not required to submit returns for examinations, while returns showing profit and loss account were expected to be submitted every year by companies and unincorporated traders. Under the selective examination system, majority of returns from comp nies and unincorporated traders were accepted without query and examination or auditing was concentrated on areas where the process would be cost-effective.

In depth audit examination by the U.K. Inland Revenue was carried out based on cases which were either preselected for audit before the returns were received either on the basis of information or in the screening process. The following features such as trading account ratios, succession, employees, capital introduced, drawings, loans, plant and machinery - vehicles and records were reviewed when cases were selected for examination or audit.

In the U.K., Mr. Aldridge said that there was not self-assessed or computerized regime. Audit was, therefore, done by manual system depending on the inspectors' expertise.

The importance of audit was emphasized during the presentation by Mr. Aldridge. It was said that audit well managed and executed would catch evaders and yied more revenue and this was illustrated by the increase in yield from penality settlements through district investigations during the period 1948 to 1985.

To carry out the work of audit, the U.K. Inland Revenue Department was organized into: (a) Districts Services, (b) Head Office Advisory Services and (c) Head Office Specialist Agencies.

Talking about collection; Mr. Aldridge explained what he meant by collection which was the business of obtaining payment of tax known to be due.

In concluding his presentation, Mr. Aldridge emphasized the need for audit because there were tax to collect, rules by which to collect it, Civil Servants charged with its collection, those who would want to pay as little as possible whether within the rules or without and politicians who would want the tax collected but who did not want to spend too much on its collection.

The presentation by Mr. Aldridge was supplemented by one of the representatives of Algeria. The representative informed the conference how audit and collection were done in Algeria.

In asking the participants for discussion of the paper presented by Mr. Aldridge, the Chairman of the Conference stressed the importance of audit which he said would required qualified staff. He further made distinction between audit and collection in tax administration. In discussing Mr. Aldridge's paper, delegates raised the questions of random audit, better judgement assessment and complexity in the tax office and how losses through fraud and evasion were evaluated. It was explained that in the U.K.;tax inspectors had no right to go into a business office for random audit and that in Algeria there was no law allowing a business firm to give information about other firms.

Discussion groups

In order to discuss in depths the themes of the conference, two discussion groups were formed. Discussion Group I studies, the role of management information and introduction of computerization in tax administration. The participating representatives in this group were from Central African Republic, Cameroon, Botswana, Benin, Tunisia and Zaire. Discussion group II considered the theme, audit and collection in tax administration and the representatives which participated in this group were from Cameroon, Gabon, Senegal, Uganda and Madagascar.

The reports of the two groups were considered and discussed in the plenary session of the conference and the conference adopted the following recommendations relating to the themes discussed by the two groups.

RECOMMANDATIONS ET CONCLUSIONS DU GROUPE I

Les Administrateurs Africains des Impôts réunis à Yaoundé (République du Cameroun) du 14 au 18 Octobre 1985 pour la deuxième Conférence Technique de l'Association des Administrateurs Africains des Impôts" ont adopté les recommandations suivantes sur le thème:

"Le rôle de l'information dans la gestion et l'introduction de l'informatique dans l'Administration fiscale".

1) Encourager l'introduction de l'informatique dans l'Administration fiscale en tant qu'outil moderne privilégié de gestion et de traitement de l'information.

2) Pour les pays déjà engagés dans l'informatisation fiscale, réorienter l'informatique en utilisant les possibilités offertes par les nouvelles technologies.

3) Doter chaque Direction des Impôts d'un outil informatique spécifique et indépendant.

4) Privilégier l'informatique répartie permettant l'exécution des travaux en temps réel en vue d'un traitement rapide, fiable et rentable de l'information par un personnel fiscal non specialiste en informatique.

5) Procéder à une informatisation progressive et harmonieuse adaptée aux spécificités de chaque pays à ses besoins réels en la matière et propotionnée à ses possibilités financières.

6) Décentraliser l'informatique fiscale pour l'adapter aux réalités régionales de chaque pays.

7) Adapter l'outil informatique aux spécificites nationales en veillant tout spécialement au choix d'un matériel moderne, fiable et évolutif et, à la signature de contrats de maintenance sérieux au plus juste prix.

8) Préparer les actions indispensables en matière de formation professionnelle et de recyclage du personnel et réétudier les nouvelles conditions de travail liées à l'informatisation des tâches pour éviter toute retombée négative en matière d'emploi et d'utilisation du personnel.

9) Adopter une stratégie réaliste d'informatisation basée sur des études préalables de faisabilité dont la responsabilité devra impérativement être confiée à des spécialistes nationaux associés, si nécessaire, à des experts étrangers.

10) Instaurer un "identifiant informatique" national et unique, protégé par un système de clés secrètes d'accès propres à chaque département afin de respecter la réglementation en matière de secret fiscal.

11) Utiliser les possibilités nouvelles offertes par l'informatique moderne pour perfectionner l'appareil statistique de l'Administration fiscale pour une meilleure connaissance quantitative et qualitative de la matière imposable, des contribuables et du rendement de chaque impôt.

12) Créer à l'échelon régional des groupes de pays pour réflechir sur les voies et moyens de limiter la dépendance technologique en matière de

pieces detachees et progiciels en envisageant la possibilite a plus ou moins long terme de creer des unites de montage d'ordinateurs et de production de composants informatiques.

13) Favoriser l'echange des informations concernant les experiences des pays deja engages dans le processus d'informatisation.

RECOMMANDATIONS ET CONCLUSIONS DU GROUPE II

Le contrôle qui est la résultante du système déclaratif de l'impôt augmente les recettes budgetaires, permet de lutter contre l'incivisme fiscal et concourt a l'éducation des personnes qui le subissent.

Il doit être accentué compte tenu des proportions inquiétantes que prennent actuellement la fraude et l'évasion fiscales.

Dans le cadre des travaux se rapportant à l'exposé intitulé:
"L'importance du contrôle et de la collecte dans l'administration des impôts", une commission composée des délégations

de Madagascar
du Gabon
du Sénégal
de l'Egypte
du Cameroun

a retenu les recommandations suivantes:

I. Organisation des services de contrôles

La commission:

- recommande la rationalisation du travail afin de rendre les structures existantes plus opérationnelles;
- insiste sur l'effectivité d'un contrôle interne des services qui concourt notamment à la formation du personnel et à l'application uniforme de la loi.

II. Programmation des contrôle

La Commission recommande que le choix des entreprises à verifier soit effectué selon des criteres objectifs, par exemple soit par secteurs d'activités, soit à l'aide des monographies ou de tout autre indice...

Cette programmation doit par ailleurs être faite à un niveau élevé de la hiérarchie.

III. Préparation du contrôle

Outre l'examen minutieux du dossier, la Commission recommande la collecte préalable de renseignements au sein du service, aupres des autres administrations et des tiers.

Il y a lieu de souligner que les administrations fiscales doivent apporter une attention particulière à la collecte, à la circulation rapide et à l'exploitation des renseignements recueillis.

La coopération dans le cadre de l'Association et sur le plan international s'avère indispensable dans ce domaine.

IV. Exécution et clôture du contrôle

La Commission qui récuse les abus de droit ou d'autorité recommande une fermeté empreinte de courtoisie de la part de l'Administration.

Par ailleurs, afin d'éviter de paralyser les activités du conribuable, l'intervention sur place des agents des services fiscaux foit être limitée.

De même, les résultats du contrôle sont à communiquer rapidement.

Enfin, il n'est pas souhaitable d'engager la responsabilité de l'Administration en déplacant les documents du contribuable.

V. Recouvrement

La Commission souhaite entre les services d'assiette et ceux qui s'occupent du recouvrement de l'impôt, l'institution d'une collaboration franche et loyale.

L'exécution de toute oeuvre homaine implique la mise en place des moyens appropriés.

Aussi, compte tenu de l'importance que revêt désormais le contrôle et le recouvrement dans les Administrations fiscales, la Commission recommande:

- la formation permanente et le perfectionnement du personnel
  - . sur le tas,
  - . par des seminaires, forum idéal pour échanger les expériences,
  - . par des stages à organiser par l'Association, ce dernier aspect revetant une particulière urgence en ce qui concerne les comptabilités spéciales tenues par certaines entreprises (banques, assurances par exemple).
- l'amélioration des conditions du travail du personnel sur tous les plans (moyens matériels et financiers, profil de carrière etc....).